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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

SEC FILE NUMBER

8- 49648

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2002 AND ENDING DECEMBER 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

2480 SECURITIES LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2480 KETTERING TOWER

40 N MAIN STREET

(No. and Street)

DAYTON

(City)

OH

(State)

45423

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

DEBRA E. RINDLER

(937) 222-9531 EXT 223

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ERNST & YOUNG

(Name - if individual, state last, first, middle name)

FIFTH THIRD CENTER, SUITE 1800, 110 N MAIN STREET DAYTON OH 45402

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED
APR 15 2003

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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, DEBRA E. RINDLER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of 2480 SECURITIES LLC, as of DECEMBER 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

J.A. JOHNSON, Notary Public
In and for the State of Ohio
My Commission Expires Dec. 1, 2007

Debra E. Rindler
Signature

CHIEF FINANCIAL OFFICER
Title

J.A. Johnson
Notary Public

This report ** contains (check all applicable boxes):

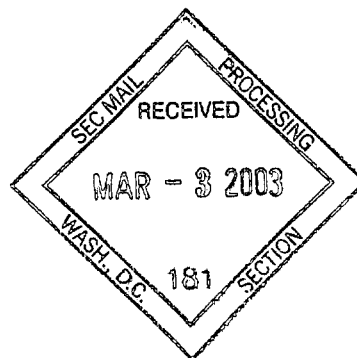
- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Financial Statements

2480 SECURITIES LLC

Years ended December 31, 2002 and 2001 with Report of Independent Auditors



Financial Statements

2480 Securities LLC

Years ended December 31, 2002 and 2001

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Report of Independent Auditors

Shareholders of
2480 Securities LLC

We have audited the accompanying statements of financial condition of 2480 Securities LLC as of December 31, 2002 and 2001, and the related statements of operations, changes in shareholders' equity, and cash flows for each of the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 2480 Securities LLC at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1 is presented for purposes of complying with Rule 17a-5 of the Securities Exchange Act of 1934, and is not a required part of the basic financial statements. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

January 30, 2003
Dayton, Ohio

2480 Securities LLC

Statements of Financial Condition

	December 31	
	2002	2001
Assets		
Cash and cash equivalents	\$ 214,615	\$ 132,251
Investment in money market fund	245,577	263,509
Accounts receivable	18,513	20,641
Prepaid expenses	17,310	17,104
Total assets	<u>\$ 496,015</u>	<u>\$ 433,505</u>
Liabilities and shareholders' equity		
Liabilities:		
Payable to affiliates	\$ 397,761	\$ 310,011
Payables to brokers	11,411	17,245
Total liabilities	<u>409,172</u>	<u>327,256</u>
Shareholders' equity:		
Membership interest, \$10 par value, 100 shares authorized and outstanding	1,000	1,000
Paid-in capital	559,000	559,000
Retained deficit	(473,157)	(453,751)
Total shareholders' equity	<u>86,843</u>	<u>106,249</u>
Total liabilities and shareholders' equity	<u>\$ 496,015</u>	<u>\$ 433,505</u>

See accompanying notes.

2480 Securities LLC

Statements of Operations

	Years ended December 31	
	2002	2001
Revenue		
Commissions	\$ 68,857	\$ 72,825
Distribution fees	135,847	131,630
Dividend income	1,381	9,009
	<u>206,085</u>	<u>213,464</u>
Expenses		
Commissions paid to brokers	17,888	12,845
Distribution fees paid to brokers	169,207	188,228
Registration expense	18,790	26,006
Other	19,606	18,322
	<u>225,491</u>	<u>245,401</u>
Net loss	<u>\$ (19,406)</u>	<u>\$ (31,937)</u>

See accompanying notes.

2480 Securities LLC

Statements of Changes in Shareholders' Equity

	Membership Interest	Paid-In Capital	Retained Deficit	Total Shareholders' Equity
Balance at January 1, 2001	\$ 1,000	\$ 559,000	\$ (421,814)	\$ 138,186
Net loss	-	-	(31,937)	(31,937)
Balance at December 31, 2001	1,000	559,000	(453,751)	106,249
Net loss	-	-	(19,406)	(19,406)
Balance at December 31, 2002	<u>\$ 1,000</u>	<u>\$ 559,000</u>	<u>\$ (473,157)</u>	<u>\$ 86,843</u>

See accompanying notes.

2480 Securities LLC

Statements of Cash Flows

	Years ended December 31	
	2002	2001
Operating activities		
Net loss	\$ (19,406)	\$ (31,937)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Sale of investments in money market funds	17,932	16,218
Decrease (increase) in accounts receivable	2,128	(4,328)
(Increase) decrease in prepaid expenses	(206)	8,481
Increase (decrease) in payable to affiliate	87,750	(149,933)
Decrease in payable to brokers	(5,834)	(10,970)
Net cash provided (used) by operating activities	82,364	(172,469)
Cash and cash equivalents, beginning of period	132,251	304,720
Cash and cash equivalents, end of year	<u>\$ 214,615</u>	<u>\$ 132,251</u>

See accompanying notes.

2480 Securities LLC

Notes to Financial Statements

December 31, 2002

1. Organization and Business

2480 Securities LLC (the Company) was incorporated in January 1997 and commenced operations on April 28, 1997 for the purpose of engaging in brokerage activities. C.H. Dean & Associates, Inc. is the majority shareholder of the Company. All of the Company's operations relate to the sale of shares of the Dean Family of Funds, an affiliated entity.

2. Significant Accounting Policies

Customer Accounts

The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities and, accordingly is exempt from SEC Rule 15c3-3. All securities transactions are cleared through a clearing broker on a fully disclosed basis.

Cash and Cash Equivalents

The Company considers all assets with a maturity of three months or less to be cash and cash equivalents whose carrying amounts approximate fair value.

Investments

Investments in money market funds are classified as available for sale and are carried at fair value, which equals cost. Fair values for these funds are based on quoted market prices of comparable instruments.

Revenue Recognition

Revenue is recognized at the time services are provided.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2480 Securities LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Income Taxes

No provision for income taxes has been made as the Company's shareholders have elected to include the Company's income in their own income for federal and state income tax purposes. Accordingly, the Company is not liable for income tax payments.

3. Net Capital Requirement

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 (the Rule) of the Securities and Exchange Commission. Under the Rule, the most restrictive conditions to the Company at December 31, 2002 are the following:

Minimum net capital, as defined, shall be \$5,000 or 6 2/3 percent of aggregate indebtedness, as defined, whichever is greater.

The ratio of aggregate indebtedness, as defined, to net capital, as defined, shall not exceed 15 to 1, and the Company capital may not be withdrawn if this ratio exceeds 10 to 1.

At December 31, 2002, the Company's net capital was \$46,108 which was \$18,816 in excess of its minimum of \$27,292, 6 2/3 percent of its aggregate indebtedness. The ratio of aggregate indebtedness to net capital was 8.87 to 1 at December 31, 2002.

4. Related-Party Transactions

During 2002 and 2001 respectively, the Company received \$68,857 and \$72,825 in commission income and \$135,847 and \$131,630 in distribution fees relating to sales of shares in the Dean Family of Funds.

2480 Securities LLC

Notes to Financial Statements (continued)

4. Related-Party Transactions (continued)

During 2002 and 2001 respectively, the Company also paid \$17,888 and \$12,845 in commissions and \$169,207 and \$188,228 in distribution fees to unaffiliated brokers relating to sales of shares of the Dean Family of Funds. At December 31, 2002 and 2001 respectively, the Company had a payable of \$397,761 and \$310,011 to its majority shareholder for expenses paid by the shareholder on behalf of the Company.

The Company does not incur any payroll expense, lease expense, depreciation expense or utilities expense as the office space and employees are provided by the Company's majority shareholder, at no charge.

Supplemental Schedule

2480 Securities LLC

Computation of Net Capital
Pursuant to Uniform Net Capital Rule 15c3-1

December 31, 2002

Net capital

Total shareholders' equity	\$ 86,843
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Deductions for nonallowable items:

Securities haircuts	4,912
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Receivables and other assets	18,513
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Prepaid expenses	17,310
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Total deductions	<u>40,735</u>
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Net capital	<u><u>\$ 46,108</u></u>
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Aggregate indebtedness

Payable to affiliates	\$ 397,761
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Payables to brokers (Excludes effect of negative payables)	<u>11,411</u>
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Aggregate indebtedness	<u><u>\$ 409,172</u></u>
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Net capital requirement

6 2/3% of aggregate indebtedness, subject to a minimum requirement of \$5,000	<u>\$ 27,292</u>
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Excess net capital	<u><u>\$ 18,816</u></u>
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Ratio of aggregate indebtedness to net capital	<u><u>8.87 to 1</u></u>
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There are no material differences between the above computation and the Company's computation included in Part IIA of Form X-17A-5 filed as of December 31, 2002.

Independent Auditors' Supplementary Report on Internal Control Structure

Board of Directors
2480 Securities LLC

In planning and performing our audit of the financial statements and supplemental schedule of 2480 Securities LLC (the Company), for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (the SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the criteria stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned criteria. Two of the criteria of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting

principles. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the SEC's criteria.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

Dayton, Ohio
January 30, 2003